

MINUTES OF THE BOARD OF TRUSTEES CITY OF CINCINNATI RETIREMENT SYSTEM August 7, 2003

The Chairperson called the meeting to order at 1:30 p.m. with the following members present:

John Bowling
Minette Cooper
Joe Harrison
William Moller, Secretary
Brian Pickering
Michael Rachford
V. Daniel Radford, Chairperson
Ely Ryder
Ed Volpe

Member/s Absent:

John Cranley (Proxy for Mayor Luken)
Valerie Lemmie, City Manager

Mr. Radford changed the order of business to allow Mr. Brian Pickering to be sworn in as Trustee to the Board by Assistant City Solicitor Maria Rodell.

Mr. Harrison moved that the Board of Trustees endorse and support the Anthem lawsuit filed by Board members Radford, Ryder, Cooper, Taylor, Bowling, Rachford, Volpe, and Harrison v. the City of Cincinnati (Case # A0302887). Ms. Cooper seconded the motion.

Mr. Bowling commented that the suit may help clarify whether or not the Board of Trustees is an independent fund of the City of Cincinnati. Mr. Bowling expressed concerns that if the Retirement System is not an independent fund, it is possible that retirement system assets could be used by the City for non-retirement purposes. After discussion, the motion passed as Board members Bowling, Harrison, Radford, Rachford, Ryder, Pickering, and Cooper voted to approve the motion. Mr. Moller voted against the motion, and Mr. Volpe abstained from the vote.

Mr. Radford called for a motion to approve the minutes of the June 5, 2003 meeting. Mr. Volpe noted that the year-to-date change in plan assets listed on the Board agenda should have the parenthesis removed. In the first six months of 2003, plan assets have increased by 5.74%, but the agenda indicates that the assets have decreased by 5.74%. Mr. Moller then noted that the Investment Committee minutes from the June 6, 2003 meeting is missing the word not in the last sentence of item 3. The last sentence should read, "Since

there was no quorum for this meeting, actions related to terminating current managers or hiring new managers could not be taken by the Committee. The Board directed the staff to make these corrections to the minutes and approve the minutes. A motion was made to approve the minutes by Mr. Harrison, seconded by Mr. Moller and carried; the minutes were approved as prepared by the Secretary.

BENEFITS COMMITTEE

Mrs. Harrison gave her final report as chairperson for the Benefits Committee, which met on July 31, 2003 at 2:00 pm in Committee Room B. Mrs. Harrison gave the following report.

1. Application for Ordinary Retirement August 1, 2003: Total – 10

No.	NAME	DEPARTMENT
31103	David Edwards	Buildings & Inspections
36804	Jerry Luttenegger	Law
38663	Preg Garg	Engineering
39459	Francis Wagner	Finance
39760	John Renken	Water Works
39834	Stephen Toelke	Hamilton County
40660	James Aull	Traffic Engineering
41757	Charles Steioff	Buildings & Inspections
42079	Joan Blumberg	Health
46337	Sandra Wrobel	Recreation

2. Application for Retired Members Death: Total - 12

3. Application for Disability Retirements: Total - 1

NO.	NAME	DEPARTMENT
54392	Ben Cohee	MSD

4. Application for Deferred Retirement: Total – 2

NO.	NAME	DEPARTMENT
50172	Chet Clark, Sr.	Public Services
50011	Sharman Privett	Recreation

5. Application for Ordinary Death Benefit: Total – 1

NO.	NAME	DEPARTMENT
48388	Gloria Elam Williams	Finance

Mrs. Harrison moved that the Board accept the report of the Benefits Committee, seconded by Mr. Ryder and approved by the Board.

Mr. Moller commented that he is trying to set up a presentation of the Return-to-Work program for Department Heads in the next month or so.

Upon the conclusion of the Benefits Committee report, Mr. Radford expressed the Board's appreciation to Mrs. Harrison for her contributions to the retirement system and presented her with a plaque commemorating her 13 years of service as a Board member.

INVESTMENT COMMITTEE

Mr. Moller reported that the Investment Committee discussed the performance of the Blue Chip Venture Capital Funds at the June 6, 2003 meeting. Mr. Moller indicated that the retirement system's investment in five Blue Chip funds has not performed too well. In total, the system has contributed \$37.5 million to the Blue Chip funds, of which approximately \$12.2 has been returned to the system. The estimated value of the retirement assets still remaining in the Blue Chip funds is about \$17.0 million.

Mr. Moller also noted that a preliminary investment performance report prepared by the retirement staff for the first five months of 2003 indicates the system's investment performance is 8.27%, which exceeds the 7.88% estimated return of the Cincinnati benchmark.

The Investment Committee is continuing its discussion on the international equity managers. Mr. Moller commented that there seems to be a consensus among the Committee members that they seriously consider hiring a couple of new managers, but they want to wait until the completion of the asset/liability study to take any action.

Mr. Walsh reported to the Board that as of August 5, 2003 the asset allocation of the investment portfolio was 54.96% domestic equities, 13.63% international equities, 30.68% domestic fixed income, and 0.72% alternative assets. Mr. Walsh commented that the rebalancing policy adopted by the Board would require withdrawing assets from domestic equities and moving them to domestic fixed income. After discussion, the Board agreed that they would delay a decision on rebalancing the assets until the following day when the Board will be holding their educational retreat with PCA/EFI, the firms conducting the asset/liability study.

(At the Board retreat the following day, Mr. Moller moved and Ms. Cooper seconded the motion that \$58.5 million be transferred from domestic equities to domestic fixed income in order to rebalance the portfolio in accordance with the rebalancing policy. The Board approved the motion and directed the retirement staff to reallocate the assets between investment managers.)

SECRETARY'S REPORT

The Secretary submitted the following report:

1. Resolution for Enrollment of New Members – Total: 173
2. Resolution for Return of Contributions – Total: 29 Amount: \$166,389.88
3. Resolution for Loans to Members – Total: 63 Amount: \$138,963.06
4. Report on Deaths of Pensioned Members – Total: 8
5. Report on Military Service Credit prior to Membership – Total: 5

The Secretary submitted the following vouchers for payment:

PAYEE	AMOUNT
Government Finance Officers Association – GFOA Publications for William Moller	\$135.00
International Foundation Conference – Registration for Brian Pickering	\$2,550.00
Gradison McDonald Asset Management – Professional Services Rendered	\$126,824.00
Ohio Book Store Inc. – 2002 Binding for Retirement Minutes	\$95.00
V. Daniel Radford – Reimbursement for attending conference June 22-25, 2003 – Los Angeles CA	\$1,637.79
Squire Sanders & Dempsey, LLP – Professional Services Rendered	\$2,150.31
All Star Personnel Services – Temporary Personnel Services	\$2,489.29
Business Information Solutions, Inc. – Storage of CRS files	\$50.00
ABS Business Products, Inc.- Monthly rental base rate for copier	\$238.50
City of Cincinnati – Division of Stores – Billing for June 2003	\$181.02
City of Cincinnati – Printing Services – Billing for June 2003	\$6,219.56
City of Cincinnati – Treasury – Reimb. For services performed for Retirement	\$13,923.06
City of Cincinnati – Facility Management – Charges for general repairs	\$112.76
Minette Cooper – Expenses incurred during NASP Conference June 19-22, 2003 – Atlanta, GA	\$1,284.80
Ely Ryder – Reimbursement for Conference Expenses	\$1,298.46
Minette Cooper – Reimbursement for Travel – Airfare	\$181.50
Ohio Secretary of State – Fee for authentication of Spanish POA documents	\$10.00
The Northern Trust Company – Custody Services	\$64,145.42
City of Cincinnati – General Services – Billing for telephone services	\$363.81
All Star Personnel Inc. – Temporary Personnel Services	\$2,564.56
Business Information Solutions, Inc. – Storage of CRS files	\$50.00
Institute for Fiduciary Education – Registration fee for Dan Rachford	\$395.00
Mae Consulting Inc. – For Services Rendered to Retirement System	\$1,080.00
Advanced Transitions Inc. – Return to Work Program Evaluations	\$3,784.30
Mercer Human Resource Consulting – For Professional Services Rendered	\$5,923.00
Squire Sanders & Dempsey, LLP – For Professional Services Rendered	\$905.77
Deborah Wyler – Reimbursement for conference expenses	\$2363.00
Pieczonka – Billing for plaque for Board Member	\$53.23

The Secretary reported that at the close of business, July 31, 2003, there was in the Treasury, to the credit of the Retirement System \$9,033,633.25.

Asset Valuation:

- December 31, 2002: \$1.99 billion
- June 30, 2003: \$2.11 billion
- YTD Increase (Decrease): 5.74%

Current Asset Allocation: (Policy Objective)

- Domestic Equity: 54.7% (50%)
- International: 13.2% (13.5%)
- Fixed Income: 32.09% (33.5%)
- Alternative Assets/Treasury Cash: 1.2% (3%)

Mr. Moller reported that as of June 30, 2003 the vendor for supplying master custody services had been transferred from Northern Trust to Fifth-Third Bank/Bank of New York. Mr. Moller also reported that the asset level as of June 30, 2003 was more than \$2.1 billion, an increase of 5.74% year-to-date.

PENDING BUSINESS

Corporate Governance: Mr. Fink reported that the retirement staff is continuing to work with the Law Department on this issue. Mr. Fink has also been discussing this issue with Ohio PERS, and he indicated that they have hired a person with an extensive background in corporate governance to work on this issue. Mr. Volpe commented that we could enhance the impact of our corporate governance policies if we join efforts with the other Ohio public pension plans. Mr. Fink said he would continue to hold discussions with Ohio PERS on the corporate governance issue.

Asset/Liability Study: Mr. Fink also reminded the Board that the Board retreat would be held tomorrow, and PCA/EFI would be conducting an all day educational session on the financial condition of the retirement system. Mr. Fink strongly encouraged all Board members to attend this retreat.

Investor Lawsuit Representation: Mr. Volpe questioned as to whether or not the Board has any say in the firm hired by the City's Law Department to represent the Retirement System. Mr. Ryder commented that it does not appear so since the City Solicitor did not follow the Board's request to hire Milberg Weiss, but Mr. Ryder suggested this issue of Board independence may be resolved in the outcome of the Anthem suit.

Mr. Bowling asked if the agreement the City has with Grant Eisenhofer applies only to the Worldcom and Enron cases, or if it is applicable to all future suits the Board may be involved in. Ms. Rodell of the City Solicitor's office commented that she thought the agreement pertains only to the WorldCom and Enron suits.

Informational Items

Mr. Ryder commented that he recently attended a conference where some pending federal prescription drug legislation was discussed. Mr. Ryder commented that this pending legislation will have a major financial impact on the Cincinnati Retirement

System (\$1,000 to \$1,600 annually per covered life) and suggested the City lobbyist get involved in this issue.

Mr. Ryder also commented that he recently attended a seminar on fraud prevention and was interested in a report to the Board on what fraud prevention measures are in place. As this is a rather broad mandate, Mr. Ryder agreed to provide to the retirement staff some of the fraud prevention information that he obtained from the seminar. Mr. Moller indicated that in the City's recent financial audit, which includes the retirement system operations, the auditors found no material control breeches.

ADJOURNMENT

Upon request of Mr. Radford for motion to adjourn, a motion was made by Ms Cooper, seconded by Mr. Moller and carried. The meeting adjourned at 2:25 p.m.